
GOVERNMENT OF THE DISTRICT OF COLUMBIA



DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

TESTIMONY OF
LEILA FINUCANE EDMONDS
DIRECTOR

Bill 17-679, “Fiscal Year 2009 Budget Request Act of 2008”

Committee on Housing and Urban Affairs
The Honorable Marion Barry, Chairman
Council of the District of Columbia

Friday, April 11, 2008

Room 500, John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Good morning Chairman Barry and members of the Committee on Housing and Urban Affairs. I am Leila Finucane Edmonds, Director of the Department of Housing and Community Development (DHCD). Accompanying me today is Donald Sink, Interim Agency Fiscal Officer. I am pleased to appear before the Committee today to testify in support of Mayor Adrian Fenty's Fiscal Year (FY) 2009 proposed operating budget for DHCD. I would first like to highlight several changes in the Department's budget from FY 2008 to FY 2009 and then discuss new initiatives.

DHCD's mission is to create and preserve opportunities for affordable housing and economic development and to revitalize underserved communities in the District of Columbia. We fulfill our mission in several ways by:

- ♦ providing gap financing toward the production and preservation of affordable housing,
- ♦ supporting communities through neighborhood based activities such as housing counseling and crime prevention,
- ♦ increasing first-time homeownership opportunities for low-to-moderate income residents,
- ♦ providing funding to rehabilitate existing single-family and multi-family homes,
- ♦ providing funding for emergency shelter assistance and for homelessness prevention,
- ♦ addressing vacant and abandoned properties in the District, and
- ♦ overseeing the administration of rental housing laws.

DHCD's primary beneficiaries are low-to-moderate income residents. We also serve the District's landlords and tenants through the Housing Regulation Administration.

FY 2009 Budget Request

DHCD joins the Mayor in requesting approval of its proposed operating budget for FY 2009. The total proposed budget for DHCD is \$202.3 million, which includes \$100.6 million from general and federal funding and \$101.8 million from the Housing Production Trust Fund (HPTF or the Trust Fund). DHCD has a total of 178 full-time equivalent (FTE) positions that are funded through local, federal, HPTF and Capital Improvement Program (CIP) monies. Approximately 7% of DHCD's budget is used for personnel.

Table 1: FY 2009 Budget Request Overview

	FY 2008 Budget	FY 2009 Request	Change
(1) General Fund:			
<i>Special Purpose Revenue Funds</i>	\$28,897,000	\$4,905,000	-\$23,992,000
<i>Local Funds</i>	\$1,967,000	\$31,775,000	\$29,809,000
Subtotal General Fund	\$30,864,000	\$36,680,000	\$5,817,000
(2) Federal	\$100,764,000	\$63,877,000	-\$36,888,000
(3) Housing Production Trust Fund	\$122,703,000	\$101,774,000	-\$20,930,000
NET TOTAL	\$254,331,000	\$202,334,000	-\$51,997,000

General Fund

DHCD's budget request reflects a decrease of \$24 million in Special Purpose Revenue Funds. The decrease is due, in large part, to reductions in revenue received from Home Purchase Assistance Program (HPAP) loan repayments. In

order to fill this revenue gap, the Mayor's budget includes a policy initiative of \$19 million in local funds to support HPAP. Other increases in local funding include a property acquisition initiative, the "Land Acquisition for Housing Development Opportunities" (LAHDO) Program, and additional resources for the Housing Regulation Administration (HRA). These initiatives, totaling \$29.8 million, will be discussed in more detail later in my testimony.

Federal Funding

The FY 2009 budget request also reflects a \$36.9 million decrease in federal funding, from \$100.8 million projected in the FY 2008 budget to \$63.9 million projected in the FY 2009 budget. The largest portion of this reduction is attributed to a 64.8% reduction in projected carryover in Community Development Block Grant program (CDBG) funds and a 43.7% reduction in projected carryover in Home Investment Partnerships Program (HOME) funds. These federal dollars will continue to provide the primary source of funding for community facilities and neighborhood-based activities, as well as supplement HPAP and project financing. In addition, our 2004 federal Lead Safe Washington grants ended in FY 2008. While we anticipate applying in the next federal RFP round, we cannot guarantee that this application would be successful. The Emergency Shelter Grant program entitlement dollars have remained the same at approximately \$821,000, and are used to support emergency shelter and homeless prevention activities administered by The Community Partnership for the Prevention of Homelessness.

Housing Production Trust Fund

In addition, the Housing Production Trust Fund (Trust Fund or HPTF), which is funded through 15% of the revenues received from the deed recordation and

transfer taxes, reflects a projected \$20.9 million decrease. The Trust Fund is the Department's largest funding source for affordable housing development. For FY 2009, the budget request is \$101.7 million in comparison to \$122.7 million budgeted for FY 2008. This decrease is attributed to a downturn in the regional housing market and lower tax revenues anticipated by the Office of the Chief Financial Officer (OCFO) next year, as well as the fact that Trust Fund spending has caught up with revenues. FY 2007 represented the first year that spending exceeded revenue, and we expect this trend to continue as we have made our operations more efficient and effective. I want to take this moment to thank the Council for its leadership in and recognition of the critical importance of directing resources to affordable housing production. In directing the additional \$30 million from prior year budget surplus to the Trust Fund earlier this year, Council has shown its strong support for the production and preservation of affordable housing.

The Development Finance Division spending increased from approximately \$82.2 million in FY 2006 to approximately \$101 million in FY 2007, representing a 23% increase in project financing. Given the projects in the current pipeline, we project that this trend will continue in FY 2008. For FY 2009, we expect this level of spending to decrease as we see more current year projects in our pipeline rather than backlog. We anticipate continuing to issue two general Requests for Proposals (RFPs) per year at the current levels, using a combination of HPTF, CDBG, HOME and Department of Mental Health (DMH) funds. The Department continues to aggressively move projects through its pipeline, spending budgeted and carry-over funds. In FY 2006, DHCD closed 29 projects producing 2882 units and three community facilities with a District investment of \$82.2 million, and then in FY 2007, we closed 34 projects producing 2135 units and two

community facilities with an investment of approximately \$101 million. We anticipate closing the same number of projects in FY 2008 and 2009. Going forward, the Department will seek a greater leverage ratio where possible and will seek other subsidies to help write-down the costs to reach affordability.

Use of Proposed Budget

The FY 2009 proposed budget request will be used by DHCD for agency management and eight program areas. Approximately 94% of DHCD's budget is used toward eight programs (as reflected in Table 2): affordable housing development, economic and commercial development, neighborhood based activities, homebuyer assistance, residential rehabilitation, emergency shelter and homelessness assistance, property acquisition and disposition, and housing regulation.

Table 2: FY 2009 Budget Request Overview by Program

Program Area	FY 2009 Budget Request
Affordable Housing/Real Estate Development	\$109,441,402
Economic and Commercial Development	\$10,302,320
Neighborhood Based Activities	\$8,442,857
Homebuyer Assistance	\$35,298,810
Residential Rehabilitation	\$11,392,510
Emergency Shelter & Homelessness Assistance	\$821,555
Property Acquisition and Disposition	\$11,248,698
Housing Regulation Administration	\$2,927,881
Agency Management	\$12,457,967
<i>Total</i>	\$202,334,000

New Initiatives

The Mayor's proposed budget for DHCD includes several new policy initiatives in FY 2009. Additional local funding has been proposed to sustain DHCD's homebuyer assistance program for downpayment and closing costs at its current level, to fund the Land Acquisition for Housing Development Opportunities program, and to support DHCD's management of the Housing Regulation Administration. In addition, language is proposed in the Budget Support Act that will create a "Unified Housing and Community Development Fund," which will provide DHCD with the flexibility to respond to a volatile housing market and changing programmatic resource needs.

Sustaining Homebuyer Assistance

First, the Home Purchase Assistance Program (HPAP) is one of the Department's key tools to provide homeownership opportunities for low and moderate income residents. Homeownership helps to stabilize both individual families and the community as a whole. The program currently provides up to \$77,000 in down payment and closing cost assistance to eligible first-time homebuyers. In FY 2007, HPAP assisted 513 District residents to become homeowners—up from 278 in FY 2006. Based on loans provided to date, we are on target to serve approximately 550 residents in FY 2008.

As part of the HPAP program restructuring that occurred at the end of FY 2006, demand increased dramatically as did the size of the average loan. Further, payment terms changed so that all new HPAP loans are now deferred for the first five years after settlement. Also, in FY 2007, there was a significant drop in repayments of HPAP loans in full, as fewer homeowners refinanced their homes.

These factors created a reduction in revenue from the repayment of loans that would normally revolve back into the funding stream for new loans. This reduction in revenue is projected to improve in FY 2011, when repayments begin on deferred loans made since FY 2006. To fill this revenue gap in FY 2009, the Mayor's budget includes an infusion of \$19 million in local funding for HPAP. This will allow the Department to again help more than 500 District residents realize their dreams of owning a home.

LAHDO

Second, a policy initiative of \$10 million in local funds will resurrect the Land Acquisition for Housing Development Opportunities program, or LAHDO, after 10 years of dormancy. LAHDO can be used for acquisition of existing buildings or vacant lots for affordable housing preservation or production. I am very pleased to have yet another tool for affordable housing in the District and that this investment will help us to create or preserve 37 to 72 additional affordable units.

Housing Regulation Administration

Third, the Mayor's proposed budget includes a policy initiative of \$595,000 in local funds for the Housing Regulation Administration. HRA was established in FY 2008, and is responsible for condominium and cooperative conversions, residential rental housing regulation, rent adjustment procedures, and staffing for the Rental Housing Commission.

We have already made significant progress in improving the efficiency of these services, including reducing the backlog of cases from 92 to 22, referring six warranty bond cases to the Office of the Attorney General for civil enforcement,

and filling key positions. HRA also worked with the D.C. Council on legislation to close loopholes in the existing vacancy exemption law. With your strong support, the legislation recently passed on an emergency basis.

The Housing Regulation Administration is currently housed at another location, 941 North Capitol Street, NE, in the Department of Consumer and Regulatory Affairs (DCRA). As such, much of the equipment and supplies in use are provided by DCRA. In FY 2009, HRA will move to DHCD's new location at the Anacostia Gateway Government Center. This policy initiative will provide the necessary non-personal services budget to support HRA at its new location. Specifically, these funds will pay for professional and contractual services, such as transcription and legal services, to help improve HRA's efficiency. DHCD will continue to improve housing regulation and further enhance the services we are able to provide to the District's tenants and landlords.

Unified Housing and Community Development Fund (Unified Fund)

Lastly, the Budget Support Act proposes a provision for the creation of a Unified Housing and Community Development Fund. This is a key element of DHCD's affordable housing and community development strategy, which will provide DHCD flexibility in the application of funds based on need in the long term. By combining DHCD's small special purpose revenues from HPAP repayments, LAHDO proceeds, residential rehabilitation repayments, Low Income Housing Tax Credit fees, proceeds from Home Again property dispositions, and Portal Sites funding, the Unified Fund will provide DHCD with one pool of flexible dollars that will be used to better manage scarce resources and apply them as needed to DHCD programmatic activities. (For example, activities such as: affordable

housing financing; vacant and abandoned property acquisitions; exercise of the District's right to purchase to preserve affordable housing in the face of expiring uses; foreclosure prevention; and asset recovery.)

CONCLUSION

I am excited about the new initiatives proposed in the FY 2009 Budget Request Act. We believe that we can use these initiatives to more effectively preserve and produce affordable housing and support economic development in the District. In a year of modest growth government-wide, it will be even more critical for the Department to work smarter and to continue to find innovative ways to leverage every resource to get the job done.

Chairman Barry, this concludes my testimony. My staff and I are available to answer any questions that you or members of the Committee may have. Thank you.